Andrzej Klesyk, CEO of PZU SA: – I would like to welcome everyone at the meeting, and, as I understand it, this is our first official meeting in the Management Board Room, so it really is a special occasion. This is the place where the company's most important strategic decisions are made, as well as decisions related to Operations because, according to the regulations, any contracts for a value exceeding one million zloty must be accepted by the Management Board. So I want to once again welcome everyone and I'd like to share one very interesting thing with you. As you know, early this morning CFO Dąbrowski and I affixed our signatures under the four documents related to the sell and purchase transactions concerning four RSA Group entities. Therefore, I'd like to make a short presentation for you. We have executed four transactions, including three as part of one bundle, in the Baltic States. In other words, we're buying Lithuania's largest insurer Lietuvos Draudimas, Latvia's largest insurer AAS Balta, and a third entity which is a branch of the Danish company RSA which operates in Estonia on the basis of a single European passport. Thanks to this transaction, which actually consists of three transactions, we have gained an unquestionable number one position in the insurance market in the Baltic States. This is where we wanted to be and where we are. Moreover, in Poland we are going to buy 100% of shares in Link4, but we have a slightly different reason and rationale for that transaction. As a result of all this, we will retain, or actually regain the position of the unrivaled leader in the insurance industry in Europe. This is how it basically looks: We were under a lot of pressure from VIG, which was buying anything it could get its hands on. Thanks to this transaction, we were able to gain a significant, approx. 8-10%, advantage over VIG. And so, as I have said before, in the Baltic States, i.e. Lithuania, Latvia and Estonia, we are buying the leaders. For those of you who may be unfamiliar with the Lithuanian market, Lietuvos Draudimas is PZU's equivalent in Lithuania. They have a similar provenience, and it's actually quite funny how similar they are to us. It used to be a state-owned enterprise which was privatized in 1990s. Later, that privatized company was purchased by RSA, and RSA practically holds 100% of shares in that company. Like PZU, this company is also the most profitable company in the market. Its market share is 31%, although in certain lines it's even up to 90% – like in the case of PZU, and not because it is some kind of a monopolist but because of the position it has acquired. Balta's situation is very similar, the only difference is that in Latvia the market structure has been changing, because a few aggressive players have entered the market and they managed to take away a large market share from Balta. Luckily, Balta was able to regain that market share, and after the crisis it returned to black figures from red figures. On the other hand, in the case of Estonia, this eight-percent piece is CODAN – the start-up company which we're talking about. These guys developed an 8% market share from nothing in four or five years, which is quite an interesting result in the world of insurance. As regards numbers, which may be of more interest to you, they are as follows: gross written premium in the Baltic States is PLN 200 million, not including our 52 million from Lithuania. If the transaction is closed, and we are sure that it will close, then we will be absolutely the top player in that region in terms of market share. Of course, this top position in terms of market share will be attributable to being number one in the largest market, i.e. the Lithuanian market, therefore we will be number one by definition in the entire region. We will have approx. one thousand employees there and approx. seven hundred agents. Like I've already said, all those companies are very decent as far as the quality of assets is concerned, their asset management is very conservative, and their underwriting and reserves are also pretty good. After we close the transaction, we don't expect that we will have to recapitalize those companies due to any balance sheet shortages. It's quite possible that the Latvian company and the Estonian company will need some additional capital during their growth process, but those will not be very large amounts – they may be some small amounts of money that will be needed only to maintain the solvency ratios when the balance sheet will be growing. As far as I can remember, the Lithuanian company's solvency ratio is 250%, i.e. it is similar to PZU's solvency ratio. Individually, those markets are quite small. The entire state of Estonia is a bit smaller than the city of Warsaw, however all those markets combined give us six million people with a GDP per capita higher than in Poland, so we have quite a significant market there. And, what's interesting, we believe that they will be growing faster than Poland, because they were more affected by the crisis four years ago and now they have some catching up to do in terms of accumulation of assets – which is of particular interest to us – as well as gross written premium. So, in other words, we are and we hope to be number one in the market which already is very important to us. We are trying to show you that there is a growth potential there, because in 2008-2010 their insurance market experienced a significant decline as far as gross written premium is concerned. That decline was attributable to two factors: most importantly, there were no new assets coming into the sector, because car sales e.g. in Latvia were very sluggish, i.e. very few new cars were sold instead of thousands of them. However, since 2010 we have seen quite significant growths, and those growths are a few percentage points higher than in Poland. If you take a look at this green line, it shows the market share of Lietuvos Draudimas, i.e. the entity which we are buying. As I have already said, they are in a very similar situation to PZU. They managed to halt their decline of market share, and, if you take a look at this, you'll see that their growth of market share occurred only when the market experienced a significant decline, and it is quite interesting, because our own position is exactly the same, i.e. when the market nosedives or doesn't grow very fast, we are gaining the market share, and if the market experiences robust growth, then we have a very difficult time to defend our market share. So both of our companies have a lot in common, and in 2013 their combined ratio was even slightly higher than PZU's, which made us a bit nervous. So there are a few interesting things in the countries where we're making our acquisitions. I'd like to show you another example. Here, Deputy CEO Smalska is leading a group of people known as the "innovation group", i.e. the guys who are innovative. I just hope that the Estonian market will be an example to us in Poland, because they do everything electronically, i.e. all the settlements etc. are done electronically, and I hope that we will follow their example also in our country. This slide shows that, by definition, this market will have to experience long-term growth, because we still have a long way to go to reach Western standards with respect to insurance spending per inhabitant, and also – as far as we are concerned – the penetration in comparison to GDP, therefore this market can do nothing but grow. For example, we are buying healthy companies, such as Lietuvos Draudimas, and if you take a look at our company or even Ergo Lietuva, then you'll see that our market share is smaller while Lietuvos Draudimas is exactly the other way around. If you can recall our slides, we always emphasize the fact that even though we have a little over than thirty percent of the share in the P&C or non-life market, we have 70% of the share in the technical profit of the entire sector. The same applies to life insurance. So, as you can see, size matters… and, as a large company, we can achieve better results, so we're buying interesting assets. To summarize, we are buying the leaders of the three Baltic States markets. We are also buying very strong brands, i.e. Lietuvos Draudimas is even more recognizable than PZU in Poland. It is synonymous with insurance. The same is the case with Balta. We expect growth of insurance markets in those countries. We don't need additional capital to "beef up" those companies so that they could normally run their business. We will have the largest network of agents in Lithuania. Their financial results are similar to ours. ROE of Lietuvos Draudimas is approx. 20%, +/-5. They had quite a miserable 2012. Maybe this was attributable to higher loss ratio, but this is another problem. Now their combined ratio is lower than ours. The risk is low, because we have been present on those markets for several years and we know them quite well. Our operations may not be very profitable, but the most important thing is that we are present on those markets, we know how they operate, and therefore the risk to us is very small. There are potential benefits from synergy between those companies. RSA operated those companies in such a way that there wasn't practically any synergy between the countries. After obtaining the consents from the regulators, we will be able to draft a detailed plan on how to take advantage of those synergies. And one last thing which one of my colleagues has mentioned: there are many differences between the Croatian transaction and this transaction, and one of the principal differences is that there are several direct flights from Warsaw to Tallinn, Vilnius and Riga while there are none to Zagreb. So even the corporate governance, the physical oversight of "the eye of the master" is much easier in this case. So this is the situation in the Baltic States. Now, as far as pricing is concerned, I would like to say that the price is consistent with what was said in the announcement, i.e. EUR 270 million, and part of this amount will be paid by Lietuvos Draudimas in the form of a dividend, i.e. a dividend will be subtracted from the price. Of course, there is an adequate mechanism in place when it comes to closing day or net asset value which will depend on the situation on the closing day, however we do not expect any significant differences. There is one thing when it comes to the closing day of these three transactions, namely that I can't precisely tell you when and how, however we believe that the situation will be as follows: the transaction will be easiest to close in Latvia, because we are buying an entity which is a company and we do not expect any problems with competition protection regulators; in Lithuania there should be no problems with financial regulators, however we will have to negotiate with the competition protection regulator and this may last a bit longer than in Latvia; on the other hand, CFO Dąbrowski's team will have a lot of work in Estonia, because they will have to set up quite an elaborate structure in order to buy a branch. We are not buying an entity – we are buying a branch, so this is quite an interesting situation. And now I'd like to talk about the two-brand strategy which we are about to deploy in Poland, and why we believe that this will work. We believe that Link4 perfectly fits into our strategy for a few reasons. First of all, we are the number one player in traditional distribution channels, and we also want to be the leader in direct sales channel. At this point, our market share in direct channel is close to zero. Secondly, we are in the situation that we are unable to offer a different value proposition to clients and agents under one brand (I'm sorry for this English word but I don't know how to say it in Polish), in the manner that would be clear and legible to the clients and agents, and this is quite important, because the offers for the agents and for the clients must be consistent. So this brand will allow us to position ourselves in the entire market. Thirdly, it would be very difficult, expensive and time-consuming to build such a brand from the ground up – we planned to develop such a brand but we didn't want it to be so strong. So Link4 was put up for sale at the best moment for us, and three years ago Deputy CEO Smalska came up with a right prediction in the strategy when she wrote that for the time being we would not build such a brand, but if a well-positioned brand were to be put up for sale at a decent price, then we would buy it. That was three years ago, and Deputy CEO Smalska's prediction turned out to be right. So write more of such stuff, and maybe it will come true in the future. In other European countries, leading insurers operate under more than one brand, and I would like to mention a few examples here. Although I was aware of the fact that most of them have two brands, I was really shocked to discover that Generali has four brands, AXA – two, and Direct Line – three. And here is one very interesting thing: if we succeed, and I am one hundred percent certain that we will succeed in this experiment with managing more than one brand, then we will be able to create additional brands for very specific groups of clients. The real champions of the world in those types of things are the guys from Hong Kong or Singapore, where, for example, they have pink mobile phone or banking brands for girls aged seventeen to twenty two, or brands for men who like to drive like crazy. This is really an incredible thing how they are able to manage those brands, and I recommend you take a good look at it when you have the chance. Like Deputy CEO Smalska was saying, they just change the outer skin while the inner contents remain the same, and they either put a bunny or a wolf on the outside and everyone is happy. It is quite funny that we also have a similar situation on the Polish market: Ergo Hestia and MTU, Warta and HDI, and, of course, VIG, but in this case this is how they run their operations – they buy companies and leave the brands. However, I'd like to focus only on Ergo, MTU and Warta HDI, where Talanx, after buying Warta, decided to leave the HDI brand and now we have two differently positioned brands, two different value propositions for the client, however, from what I understand, they are now trying to merge those two companied into one entity. And of course we have TU Europa, however TU Europa is doing something completely different. So I hope, or I should say: we are certain that we are able to take advantage of this state of affairs. With respect to Link4, we could not possibly find a better occasion – for this simple reason that this is the most recognizable brand that is also similar to Warta when it comes to spontaneous awareness. Previous owners pumped a lot of cash into that brand, much more than we would ever put into something like this, and they haven't even tried to recover that cash, so, let's say, we are now getting this brand with a discount as compared to expenditures that were incurred for it. If you take a look at direct brands, such as Link4, Liberty Direct, AXA, Proama and Aviva, you'll see one interesting thing. If any of the owners of those brands tried to sell their direct business, for obvious reasons the buyer wouldn't be able to continue to use the brand such as Liberty Direct or Proama. So we have this situation that the only brand that is not connected to the previous owner is Link4, and therefore we don't have to and don't intend to change Link4's name. To the contrary – we have significant plans as far as usage of that brand is concerned. And one more slide in the presentation before we move on to questions. First of all, I would like to emphasize that this is the action that we had promised and we delivered on our promise. For some time, nothing was put up for sale, or the things that were for sale were not the ones that we would be interested in. However, now we have fulfilled our promise made in the strategy. According to the schedule, all the transactions should be finalized by the end of this year. These transactions will not have a significant effect on PZU's capital position. Their value is a little more than one billion three hundred thousand zloty, i.e. less that PZU's semi-annual profit. They will also not affect your dividends, the liquidity, or the company's ability to pay the dividend in general. You know very well that the main shareholder needs this dividend, so we don't envisage any changes to the dividend policy, and we are not planning to make any such changes. Purchasing those companies will not affect PZU's approach to acquisitions in the region, so if anything interesting comes up, we are still in the game. However, I would like to emphasize that this is to some extent a perfect situation for us as the management board. First of all, we are buying the companies that are relatively well managed, and sometimes they are even more conservative in certain matters than we would wish them to be, so this is not like in Croatia when we had to restructure and fire one-third of employees. So, we are buying the companies that are profitable. Secondly, these companies are significant enough to deserve the management board's direct attention, and we will be sitting down here in this room and contemplating how to boost their performance and help them. At the same time, they are not large enough to put the company's existence at risk. Someone has asked me why we wouldn't consider buying something in Russia. Making a purchase in Russia for two billion dollars or two billion euros could turn out to be a watershed moment for the company. On the other hand, the transaction in question will not entail such risk. And thirdly, this is, openly speaking, the first transaction executed by this management board. We have experience in restructuring, including restructuring of foreign companies – in other words, when we came, the Ukrainian and the Lithuanian company were losing a lot of money year to year, and now they are no longer unprofitable. However, this is the first time when we will be integrating other entities into our company, so the subsequent transactions and integrations should go a lot smoother. And that's all I have to say, and now I'd like to do something I believe I should have done at the beginning, i.e. I'd like to introduce CFO Dąbrowski, but you know him very well, so he doesn't need to be introduced. And I also would like to introduce Deputy CEO Smalska to those of you who haven't had a chance to meet her yet. Ms. Smalska is a qualified and professional Management Board member responsible for more than six billion zloty of Gross Written Premium in P&C and approx. one billion zloty of GWP in life insurance. In other words, she is responsible for retail part of our business, and she is with us today, because she will be the brain behind the operation consisting in positioning of the two brands, i.e. the two value propositions, the two different outer skins we talked about before. I also would like to introduce Director Dominika Zbychorska, who is sitting here in the first row, and who put so much effort into closing this transaction that she broke her fingers. One way or another, she is here with us, and she organized the entire technical side of the transaction.

So, with that in mind, I'd like to invite you to ask questions.

Marta Jeżewska-Wasilewska of Wood & Company: – I would like to congratulate you on the transaction, however I would like to explore that topic in more detail. I'm sure that there will be questions regarding the dividend, but I would like to shift gears a little bit here. Like CEO Klesyk has said, you were interested in purchasing Croatia Osiguranje, and there was also a lot of press publicity about your interest in Triglav, which is in some ways a hub to the Baltic markets. Later it was taken off the list of companies being for sale, however, given the fact that you will have 40%, or even close to 50%, one-half of the share in the Lithuanian market, will you still be willing to increase your exposure in the Baltic markets? You will have approx. 20-30% of share on all those markets combined, i.e. approx. 50% in Lithuania and significant market shares in Latvia and Estonia, where the market share is also quite significant, but it is decreased by the blended share. So will you still be interested in further acquisitions in that region?

AK: – Of course we are, but I would like to clarify that Triglav is a Slovenian company. Triglav is an interesting topic, and we seriously took it into consideration and spend a lot of time discussing it. Triglav is a lot more interesting than Croatia Osiguranje, because it is a tidied-up company located in the country which belongs to the eurozone and which has been the EU member state for some twelve or fourteen years now. So this situation is completely different from what we had in Croatia, where there was still a lot of work to be done. In recent three years, Director Zbychorska and I made several trips to Ljubljana, and we've been hearing assurances that the process (of selling Triglav) is about to begin very soon or next month, however – despite Triglav still being on the list – I certainly doubt that such a process could be finalized by the end of this year.

Marta Jeżewska-Wasilewska of Wood & Company: – OK, so I'd like to ask only one small technical question. How will this transaction affect your ratios or solvency margins? Is there a certain estimate for this?

Przemysław Dąbrowski, PZU's CFO: – The ratios will obviously decrease, because we will spend one and a half million zlotys, however, like CEO Klesyk has already said, we don't expect the company's dividend plans to change this year in any way because of that transaction. The only thing is that we decided to postpone the shareholder meeting, because we didn't know whether that transaction would go through or not, and if it went through, then the documentation, which we are obligated to prepare, would contain different ratios, however we still assume that we will be able to maintain the pay out ratio of 50%-100%. And of course, as far as this year is concerned, like we've said before, the plans do not change in any way, but the calculations have not yet been made. I believe that, first of all, we will have some idea about calculations after we get the data for the first quarter, and this will be quite soon – in two and a half weeks. So we will be able to tell you something about our solvency ratios then. That is one thing. And when it comes to companies themselves, we are at the point of signing, and after closing they will normally be included in the series of reports, which you usually get. However, at this moment we cannot disclose any detailed information about the companies, because we have not finalized the transactions yet.

Question asked over the Internet: – The combined ratio was 95%. Where is the difference and how will this combined ratio be normalized?

Andrzej Klesyk: – The situation is as follows: Like I've said before, and as you can see in our presentation, the most profitable company is Lithuanian Draudimas, and their combined ratio is smaller than PZU SA's. They had a very good year and their combined ratio is at the same level for practically the same reasons as PZU's. First of all, they have a very stable client base, particularly in non-urban areas. Secondly, they have very good underwriting, because they have the data. Thirdly, due to economies of scale, they have much lower cost ratios and distribution ratios, so any information included in the reports and concerning PZU will also be true with regard to them. I hope that the combined ratio will be better than what RSA had for the entire market. And now let's move on to another question asked over the Internet.

Question asked over the Internet: – Buying a direct company is an awesome and sensible tactical move. However, when it comes to expansion to Baltic States, why do you have to pay 20 x price/profit or 2.5 x the book, given the fact that the seller may be in trouble and may be forced to sell? How can you justify such a price?

Andrzej Klesyk: – I believe that in this question the information is a bit asymmetrical. We know that there was a big interest in the Baltic companies and there was a huge interest in Link4. Three companies, including PZU, qualified to the last round of the contest for the Baltic companies. We believe that we didn't overpay, because our valuations assumed quite a significant level of synergy between our companies operating on those markets, and we are quite confident about those synergies. And I think that exhausts the subject; would you like to add anything?

Przemysław Dąbrowski: – I only would like to reemphasize that when we close the transaction, we will be able to tell you more about the forecasts, how we see them, and how all of this will work. CEO Klesyk has just said that we are seeing very good growth prospects on those markets in the coming years, and we believe that those growths will be above 5%, however in the longer term they may be smaller, but in PZU's strategy we assumed that they would be quite good, i.e. we will be able to at least maintain the market share. So now we can have an idea on how all of this will work as far as revenues are concerned. Since RSA is also a listed company, you can analyze RSA's reports, because, according to those reports, RSA will continue to draft them until the control is handed over. Like we've already said to you with regard to growths – yes, we assume that there will be growths. Estonian branch is a different story, because we have a very good team there, which made 8% from zero in the period of five years. It is not the leader, but the former two countries are the ex-leaders. We can see fundamental value in what we have there, but we can also see a significant value of synergies between the countries and large value of synergies between our organizations and the organizations that exist there and which we are buying. These are the main value drivers and, of course, some of those synergies are included in the price that we have paid. To finalize, I'd like to say that in the case of acquisition of Link4 as well as the acquisitions in the Baltic States, different players may approach valuations in different ways. For example, our well-known main competitor in the Baltic States could not include synergies in the valuation model, because it almost does not run any business there. On the other hand, we have a very strong presence there, and we can see the synergies between our businesses and the businesses we're buying. If someone is not there, then there are no synergies, right? As far as Link4 is concerned, we can see other synergies, and someone who doesn't run any business at all must pay to enter the market.

Andrzej Klesyk: – Thank you very much, third question please.

Question asked over the Internet: – This transaction is more defensive, especially in Poland, and it consolidates the existing position, but it really doesn't open for us any doors to international expansion. Is it possible that this will prevent you from becoming a true regional insurer?

Andrzej Klesyk – It is defensive but it also is a bit of an advancing tactic. It is defensive, because we don't have any presence on the direct market; we are simply not there. But it is also an advancing tactic, because we are able to aggressively respond to various foolish actions of our competitors, should they take them. Simply speaking, we not only have the heavy artillery as far as PZU is concerned, but we will also have a different brand which will help us to position our offer. Deputy CEO Smalska has described it quite nicely as price scissors or value proposition scissors. Would you like to say something on that subject?

Barbara Smalska – PZU Management Board member: – Yes, I'd like to briefly say that the purpose of that move is to supplement our positioning in terms of brand image as well as price positioning, and we can see here a certain amount of synergy between those brands. Secondly, due to the fact that distribution channels are strongly separable, not only with respect to direct vs. agents but also the multi-agency channel, which is very important to us and to Link4, and the multi-agencies, with which we cooperate, are also strongly separable and there is no place for cannibalization – there is the potential for those different value propositions in various distribution channels, provided that they are adequately managed.

Andrzej Klesyk: – Thank you very much. And now I'd like to return to the second part of the question, namely regional expansion. Ladies and gentlemen, for the time being there is nothing we could buy. We can envision acquisition of a major P&C entity, but until some parent company falls into trouble, no one is going to sell a company which is a significant player in the region. As I have said before, we were extremely lucky that such acquisition fell into our hands. First of all, like I've already said, this is not a large sum of money to us as far as balance sheet is concerned, and such business is manageable, i.e. we are able to meet and evaluate the managers from those businesses within one week. The size of that business is reasonably small, and it is possible to – like my kid says –

“get a grip” of it. But for the time being there is nothing to buy. Now three questions from ING. Today Mr. Klesyk has said in a press interview that the acquisitions will not affect this year’s dividend. Is that opinion based on prior conversations with the Polish Financial Supervision Authority (KNF), and if not – is there any risk there? We comply with all the criteria imposed and take advantage of all the possibilities permitted to the insurance companies by KNF to pay out one hundred percent of profit attributable to the shareholders. So at this point, we do not see any obstacles and there is no need to conduct negotiations with KNF. Secondly: what is the risk of the transaction being blocked by anti-monopoly regulators, especially in Lithuania, where PZU’s market share will exceed 40%. Ladies and gentlemen, the transaction was signed on the condition that RSA would express its consent for us to carry out informal consultations with Lithuanian anti-monopoly regulator, and such consultations were carried out prior to signing. According to our preliminary findings, no conditions will be imposed on us that would not be favorable to us as far as further transactions are concerned. We realize that we’ll probably have to accept certain limitations, because the regulator will probably express its consent with some strings attached, however we do not expect the situation where the costs of dissynergy – as well call it internally – would deprive the transaction of its economic purpose. The acquisitions will reduce the company’s solvency ratios, and I would like to propose to return to this topic when discussing our quarterly results or even later for this simple reason that we will be able to provide you with precise information depending on the timing of acquisition of those companies, i.e. closing the transactions, and the content of the decisions made by the Lithuanian regulators. However, even if, let’s say, one billion five hundred million disappears, it will not have a significant impact on our capital position. I would like to mention one thing which we are particularly proud of, namely that PZU’s rating is better than Poland’s rating denominated in foreign currencies, therefore we are this strange creature – one of a very few entities in the world whose rating denominated in foreign currencies is higher than the rating of the country of its registration. This shows PZU’s tremendous capital and financial strength. And now a question from Morgan Stanley.

Maciej Wasilewicz – Morgan Stanley: – Did you identify any non-recurring events in the acquired companies, which took place in 2013 and which could involve significant losses attributable to past events as compared to historic results?

Andrzej Klesyk: – At the moment, I am unable to identify such factors, because we are not yet the owners of those entities.

Przemysław Dąbrowski: – During valuations, we obviously carried out thorough audits. We took all such possibilities into consideration, however at this moment we cannot divulge any such information. We are talking about the entities which – until the moment of closing – still belong to RSA, and RSA is a listed company. Therefore we cannot disclose any such information at this moment. I would like to assure you that we used the support of renowned advisors during the transaction. Valuations were made, due diligence was carried out, fairness opinion was issued, etc., however we cannot make any comments at this moment.

Andrzej Klesyk: – I’m afraid that we will have to answer the second question in a similar fashion.

Maciej Wasilewicz: – Can you describe and quantitatively evaluate the effect of synergy resulting from this transaction?

Andrzej Klesyk: – This synergy is practically the same as in any deal of that type where we have two similar entities that operate in the same sector. In Poland, synergies are quite simple. In today's press interview I gave an example that Link4 spends x amount of money on marketing, however, after conducting due diligence we know that PZU can obtain much higher discounts on the same book of media orders. And if we combine those two books, then, by definition, we will obtain even higher discounts, and we will be able to save much more money even without cutting the list price, i.e. advertising expenses. The third question is for CFO Dąbrowski.

Question asked over the Internet: – You paid PLN 1.4 billion for the acquired companies, however these companies have their own capital, so we can say that the decrease in surplus capital is more or less tied to the company's value, i.e. approx. PLN 900 million.

Andrzej Klesyk: – Like CFO Dąbrowski has said, it is too early to come up with a certain figure, however we like your reasoning. And I also want you to remember that these are four different transactions executed on different dates, so I don't think it's possible to close all those transactions by the end of this quarter, i.e. by the end of June. Unless a miracle happens in one of the countries, but this is highly unlikely. Perhaps we will be able to close one, two or maybe three of those transactions in the second or third quarter. Consequently, the consolidated results will not appear until several months later, and during that time I hope that, knock on wood, PZU will earn quite good money and we will be able to accumulate capital to benefit analysts and shareholders. And right now let's return to questions from the room.

Iza Rokicka, IPOPEMA Securities: – From what I understand, you don't want to make any comments on those companies' financial results. However, some of this information is publicly available, and, correct me if I'm wrong, according to this information, among the three entities in question only the Lithuanian company is profitable. And, according to what CEO Klesyk has said a moment ago, we should ask ourselves a question whether this profitability can be maintained in the coming years – taking into account very low combined ratio recorded by the company in 2013, and whether this company is similar enough to PZU so that the combined ratio in the normalized year will be higher than in 2013, which, as I understand, was a very good year to PZU and the Lithuanian company. My second question is about Balta, which actually posts losses despite being the market leader: is the pricing, which amounts to – correct me if I'm wrong – 3x price to book, reasonable, and are such significant synergies attainable to justify this price? That's all I have for now, maybe I'll have more questions later.

Przemysław Dąbrowski: – We do not assume that the combined ratio recorded by the Lithuanian company in 2013 may be repeated. In similar fashion, we will probably not maintain the combined ratio recorded by PZU in 2013. To answer the question whether this company may be profitable: we believe that it is possible for it to be profitable, because its model is similar to PZU's model. It's true that recently Balta has been posting losses, because it has undergone restructuring, but I don't want to make any further comments on that, because I don't have sufficient information on hand. However, we believe that its results will improve. As far as the Estonian company is concerned, this is a different case, because this is the company that has been developed from the ground up.

Iza Rokicka: – So it must have its weight.

Przemysław Dąbrowski: – It must have its weight. In other words, when it comes to synergy, there are two types of synergy there. There are the synergies resulting from merging those entities within the markets of the Baltic States, and, obviously, there are synergies from merging the Lithuanian company with PZU's Lithuanian company – and these are significant synergies that result from the merger of those two companies.

Iza Rokicka: – OK, thank you. I have one more question about the dividend, but in a bit longer perspective. From what I understand, this transaction doesn't change the dividend outlook, which was extensively discussed at the previous conference, and this is not what I want to ask. I also understand that at this moment, the Management Board wants to maintain its dividend policy in the coming years, i.e. 50%-100% of consolidated net profit. However, what is interesting is that – taking into account the payout ratio in the previous years and what is expected by the market at the present moment – we are closer to the upper limit of that range than to the lower limit, and in one year from now, when we talk about the dividend for the year 2014, this dividend will be still consistent with the policy but it will be closer to the lower limit. So, is there a risk that the normalized dividend – excluding the dividend from surplus capitals – will be in fact smaller in nominal terms as a result of the transaction which we are talking about here?

Andrzej Klesyk: – Ladies and gentlemen, I would like to reemphasize that this transaction will not affect our capital position or strength. It will have a certain impact on goodwill, like someone has said, however neither our capital position nor anything else will be affected. This transaction will not have a negative impact on our ability to generate cash and capital from our regular operations. Unless there are single catastrophic events, such as floods in Poland or what not, as a result of which our technical result suddenly – knock on wood – drops below zero, which would be a tragedy for the entire sector, or – alternatively – some significant positive developments occur, like major acquisitions, we shouldn't even consider getting close to the lower limit, and even if we do propose the dividend close to 50%, then you'll eat us alive and the Western European shareholders will eat us alive, because they will ask us why we need such large amounts of money. It is us that are (a bit) afraid of you, not the other way around.

Przemysław Dąbrowski: – I'd like to emphasize the following aspects. First of all, like CEO Klesyk has already said, this transaction does not significantly change PZU's capital standing in terms of the company's ability to pay dividends, and, provided that the business model doesn't change, we will generate surplus capital. The Management Board doesn't even consider changing the company's dividend policy and dividend practices which were used in previous years. On the other hand, it is a bit too early to talk about the dividend for 2014, because we haven't even had the results for the first quarter yet. However, there is one interesting thing that I would like to mention, namely that I believe that in 2015 the discussions on PZU's capital standing will be significantly affected by Solvency II Directive. We need to remember that Solvency II Directive comes into effect on 1 January 2016, and at the moment it is not yet clear which capital will be available to the shareholders, because today only one financial statements are provided to you, i.e. the IFRS financial statements, and – simply speaking – the capital requirement is determined on the basis of that IFRS financial statements. It is true that this requirement is basically calculated on the basis of the figures from those financial statements. And the capital, which is mentioned in those financial statements, also corresponds to that requirement. We will be preparing different financial statements, i.e. according to Solvency II, and Solvency I will no longer apply. In other words, we will no longer be bound by the current regulations, also the regulations concerning the dividends, pursuant to which the P&C company must have the solvency margin coverage of approx. 200%. When the new regulations go into effect, there will also be another balance sheet, i.e. there will be two balance sheets: the IFRS balance sheet, which you have in front of you today, and also the second balance sheet prepared according to Solvency II. PZU Group's balance sheet according to Solvency II will look differently. I mean, it will look differently not only in the sense that there will be differences in quality and it will contain different line items, but there will be also quantitative differences because of PZU Life. As we have said many times, and this information is also publicly available, long-term liabilities are discounted with the 3% rate, however Solvency II requires using the market rate, and today the market rate is approx. 4%. I think that we will inevitably have to have the discussion as to which capital is available to the shareholders – the IFRS capital or the solvency capital, and the regulator will also have to take a stance with regard to it. The problem is that pursuant to Solvency II Directive, the IFRS capital will not, or at least should not be subject to regulations related to solvency, because this capital will not be included in those calculations, and the capital requirement will be calculated on the basis of the Solvency II balance sheet – not the IFRS balance sheet. So I believe that we will have interesting discussions on that subject because, in the case of our company, we may see significant quantitative shifts. However, until that time, we don't think that the dividend procedures or practices will significantly change. You can of course hypothesize that at the same time next year we will inform you that, first of all, the Lithuanian transactions have been closed and Triglav has been signed up for – I'm obviously joking here. Nevertheless, should an opportunity to execute a similar transaction appear, and such a situation may – honestly speaking – occur, the Management Board may make a decision – in line with the dividend procedures and policy – to suspend the payment of dividend for a year or two or reduce the payout ratio in connection with such a large acquisition, but there must be a very strong reason for such suspension or reduction, and acquisition belongs to such reasons.

Iza Rokicka: – With regard to the Baltic companies which you intend to acquire, they operate on non-life, i.e. P&C market. Is it worthwhile to have any discussion at all at this moment on expansion of these companies' operations into life insurance business in those countries?

Andrzej Klesyk: – Of course it is, but, like my grandmother always used to say to me "don't eat your food so fast, because you will choke on it", we first and foremost have to get those companies under control, and after we make this business stable and profitable, we will consider expanding our operations into life insurance market. As far as life business is concerned, their situation is similar to Poland, i.e. life products are not very popular there due to unit-linked business and the recent events. On the other hand, the difference between those countries and Poland is that significant portion of life business is distributed by the banks. So we have to initiate good relations with the banks, and for the time being PZU doesn't have such relations, but the companies, which we are acquiring, have such relations, and the only problem is that RSA, by definition, conducts P&C business and has almost no life business. I don't know why, maybe they didn't go into life insurance, because they had insured Titanic.

Przemysław Dąbrowski: – Of course, like CEO Klesyk has said, we don't assume a quick entry into life business, but we need to remember that our Lithuanian company sells life insurance, and this is an additional asset for the PZU Group. In this day and age, the most important element of financial services is the client, and this acquisition is our gateway to a very large group of clients, primarily in Lithuania and Latvia and to smaller extent in Estonia, whom we will reach through a very strong brand. Like I've said, today the PZU Group sells life insurance on those markets, however our brand is not very strong and we don't have the access to a large group of clients. So this is an additional asset which we will utilize; it is not the first synergy that we will take advantage of, however it is a very important upside.

Iza Rokicka: – I have one more final question. Could you tell us the second highest price offered by the bidder which competed for the purchase of the Baltic assets?

Andrzej Klesyk: – For this I have to refer you to UBS, because they were somehow reluctant to tell me that. So at this point I can't tell you that. Maybe they will tell me sometime in the future, after the transaction is executed.

Kamil Stolarski – Espirito Santo: – I'm looking at the slide in which you demonstrate that this transaction will not affect the capital, it will not affect the ability to pay the dividend, and it will not change the approach to acquisitions, and my question is – taking into account the slide you showed during the semi-annual presentation, where you quantified the surplus capital to strategic options in the amount of five billion Polish zloty with the assumption of issuance of subordinated debt. And now we have the situation where you have paid the surplus dividend of PLN 1.7 billion, there is no and probably will not be the issuing of debt, the commentary of the Management Board, err, the KNF was that the chances for issuance subordinated debt were low, and now you are spending one billion four hundred thousand or one billion five hundred thousand or one billion three hundred thousand on acquisition – depending on how you calculate it, and my question is whether we can really accept that that surplus capital decreased to less than two billion from five billion? Assuming, of course, that everything we earn, we pay out to the shareholders.

Andrzej Klesyk: – Some time ago, we made a simple simulation in which we stated that we would want to retain 250% of tier one capital as the base capital for safety reasons, and also to ensure a good rating for the company, which, by the way, we managed to maintain. 250% is a rough estimate because, depending on whether you make the assessment according to Polish or other standards, we're talking here about approx. PLN 7.5 billion. At this moment, after closing the quarter and after payment of dividend, we have PLN 12 billion of capital, i.e. we still have PLN 4.5 billion. Statistically speaking, we are adding at least 0.5 billion every quarter. So I believe that if we need additional 1.5 billion or 2 billion of capital, then this is only the matter of accumulation of capital which we gather every quarter between signing and closing – if we were to execute some big transaction. CFO Dąbrowski and I got an assurance from KNF that KNF was working on an amendment, or, I should say, the Ministry of Finance was working on an amendment to the insurance act, which would allow us to issue bonds directly in PLN, which means that we will be able to gather subordinated debt financing in Polish zloty.

Kamil Stolarski: – But I understand that under current legal regime, acquisitions exceeding two billion can be financed only through payment of lower dividends.

Andrzej Klesyk: – Well, not quite, but it is like that: Theoretically speaking, we, as the Management Board, may assume that we will maintain the solvency ratio of 200% for one year instead of 250%. Of course, with all its consequences, such as potentially being put on watch list by the rating agencies or partial reduction of rating – this is one issue. The second issue is that I wouldn't be too worried about large acquisitions for this simple reason that there are no significant companies in this part of the world that would be put up for sale. Even if we wanted to buy 100% of that Slovenian company, which we were talking about here, CFO Dąbrowski would incorporate it in a blink of an eye.

Przemysław Dąbrowski: – I can see that this matter is stirring a lot of emotions. First of all, like CEO Klesyk has said, what we really need is 200%, not 250%. Two hundred percent gives us the ability to pay the dividend, or payout ratio of 100%. In other words, 200%, not 250%. 250% allows us to maintain the rating, but, like CEO Klesyk has said, at this moment the PZU Group is not utilizing its rating from business standpoint. If we were to issue debt, then we would need the rating, however – just a moment, I'll comment on that in a second – since we are not issuing any debt, there is no business need for the rating. 250% gives us a large buffer – the rating, capital strength, etc. So, first of all, we can go from 250% to 200%, and, secondly, we are conducting ongoing negotiations with KNF. This isn't the case that the solution, which we have proposed, is impossible to carry out today at all – it can be done, however there are certain other arguments to forgo its implementation. It seems that we are reaching some sort of an understanding with the regulator, and they say: OK, we'll change the law. From what we have seen in the most recent six months, subordinated loans – not subordinated bonds – are nothing out of the ordinary on the insurance market. It turns out that a lot of companies were granted such loans, and this is not something that doesn't exist at all. Initially, we thought that this would be the first time, and no such thing has ever been done before. In most of the cases, the loans are granted from abroad to non-listed companies, and there was no information in the market about them. However, the more inquiries we make into that topic, the more we know. So, first of all, we still have a 50% reserve in the solvency margin, which we are talking about. Secondly, the insurance activity act must be amended this year due to Solvency II Directive going into effect. This amendment must be put in place because the member state – not only the companies – must be ready for Solvency II. So, there will be an amendment to the act, and this is also a very good opportunity to amend Article 148, and we will be able issue. Thirdly, like I've said and like CEO Klesyk has said – timing. Today there are no possible acquisitions on the horizon, and it is unlikely that the Slovenian government will suddenly begin the process in five or six months, and basically this is the last target which we could consider. There was also one target in Romania, but it went bankrupt, or almost went bankrupt. So let's take a look at the current situation. The Solvency II Directive is coming, and we are faced by the following problem: under the Solvency II regime, we will have to comply with the capital requirement, but we don't even know the wording of KNF's recommendation regarding Solvency II. However, I know one thing: under Solvency II regime, there will be a higher capital requirement, and the available capital will also have to be increased, because right now we have a dozen or so billion discounted by three percent, and after that the market rate will have to be used. Unless, of course, the 10-year bonds fall to 3% in two years, but we don't anticipate that. So I believe – and this is not indisputable – that the payout ratio up to one hundred percent (and we don't pay up to one hundred, so there is always something set on the side) does not preclude the acquisitions worth one or two billion. This is not that palpable to me, because everything depends on the time when all of this takes place. If we were to buy Triglav today, then my opinion differs from CEO Klesyk's point of view in the sense that today we probably wouldn't be able to gather funds that fast, however this would all depend on when we would have to make the payment, because the funds are taken from the balance sheet at the time of closing, not at the time of signing. So far nothing that would affect the ratios has happened, but if we were to pay for both transactions, including for Triglav (are there are no such transactions), then we probably wouldn't be able to do that and we would need additional funds. However, like I'm saying, we have to take different factors into consideration.

Kamil Stolarski: – OK, thank you. Nevertheless, I'm still curious about those concepts for PZU International and those acquisitions in excess of 10 billion. I know that they are very unlikely right now. I have two small questions based on what I have noticed. With regard to the forecasted market share of the Lithuanian company, which are you are presenting here, I've noticed that they drop from 31% to 29%. What is the reason for this? Is it attributable to that 70% of share in non-life, or something else, and why is it assumed that the market shares are decreasing. As recently as a few years ago I heard an opinion that no business case for direct business had yet reached the break-even point in Poland. Can such an opinion be justified, and what is your opinion on the future of direct businesses in Poland, such as Link4?

Andrzej Klesyk: – In a moment I'll ask Deputy CEO Smalska to comment on Link4. The figures, which you have seen in the presentation, are the figures provided by the Management Board of the target company, i.e. Lietuvos Draudimas. They are not our simulations, because we are not authorized to do that. This is just an information memorandum slide.

Przemysław Dąbrowski: – Excuse me, I would like to clarify one thing. These are our expectations, and we assume that such activities will be more or less taken within the Group. These are our expectations as far as this share is concerned. This is how we are seeing it. The estimated market share is based on the situation in Poland, and we here always assume the minimum market share of thirty percent.

Andrzej Klesyk: – Ladies and gentlemen, I have to say good bye to you for now, and my great colleagues from the management board will continue with the meeting. Basia, will you answer the question concerning Link4? I wish you all happy holidays, a lot of fun with Easter eggs and all the best. Thank you very much for your attention and for all of your analytical support.

Barbara Smalska: – OK, to answer the question about direct business, it is true that no direct business in Poland has yet reached the break-even point, however according to what we have seen in recent years, there are practically no "pure" direct businesses in Poland – every company, which runs direct business in Poland, also conducts operations in other distribution channels. At this time, Link4 is one-half direct business and one-half business conducted with multi-agencies. The same is the case with Proama and other companies. And none of those companies is strictly direct business understood as only online and telephone sales – this is one issue. The second issue is that Link4 really has not yet reached the break-even point, and that's why the price we are paying for it is lower than all of RSA's to-date investments in that business. So non-profitability of the business is reflected in the price, and at this moment these are not yet our losses. The third thing is that we believe that insurance will follow the same path as many other businesses, including banks, namely that the clients want to have access through all distribution channels. This is the same trend as in the banking sector: we used to have separate brick-and-mortar banks and direct banks, and since then all of them have merged: there are no more strictly direct banks and there are no more strictly brick-and-mortar banks. All the banks offer all the distribution channels, and we expect that the same will be the case with insurance. The clients will simply require access through various channels, and the purpose of acquisition of Link4 was to provide clients with access through direct channels and acquire know-how. And this also changes the economic situation, because now the entire business is conducted through all the distribution channels, and we are no longer talking about profitability of only the direct business which spends a lot of money on marketing instead of on agents, however, on such a scale, marketing turned out to be more expensive.

Iza Rokicka: – And how will those investments…

Przemysław Dąbrowski: – So once again, I suggest you go through the RSA reports. It is a listed company, and if we were to buy from the Croatian government…

Voice from the room: – They don't show…

Przemysław Dąbrowski: – They don't want to?

Voice from the room: – They are together with Latin America…

Przemysław Dąbrowski: – Cunning rascals. So, listen, all I can say is that we will not give any figures because, honestly speaking, I don't really have experience in buying companies from other listed companies, let alone under the law other than Polish law, so we have to very quickly verify what kind of information we may disclose during the transition period. This is one thing. The second thing is commercial secrecy. According to the data obtained in the course of the audit conducted by us during the transaction process – not the publicly available data, the expenditures, which were incurred there not only by RSA – because initially there was a different owner there – so, in general, the expenditures that were incurred were significantly greater than the price we are paying. And one of the arguments in support of this – like Deputy CEO Smalska has said – was that a few years ago we came up with an idea of building the second brand. I'd like to apologize to Basia, because what I'm saying has already been said. This concept exists in other countries, and PZU also considered it, however building the second brand would be very difficult and it would require significant outlays on marketing, the IT system, etc. Building the direct brand is not the same as the brand or business based mostly on agents, where everything is done on paper, etc. So we made such a decision. It was a real window of opportunity that has opened to us, and we were able to incorporate into our operations this missing element of the strategy for a reasonable price.

Piotr Wiśniewski – Head of the Investor Relations Team: – Ladies and gentlemen, thank you very much for all the questions; I presume that we could carry on with our discussions for a long time, but I would like to make the following proposition: let's close the official part of the meeting and continue our conversations at the Easter egg party, because we are a bit short on time here.

Thank you very much.

Przemysław Dąbrowski: – I wish everyone all the best during the holiday season, a lot of fun with Easter eggs, and a wet Easter Monday!